



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

# HIGHLIGHTS

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September 25, 2013

## Noncompetitive Purchasing Practices

Report Number SM-AR-13-004

### **BACKGROUND:**

Contract competition allows the U.S. Postal Service to solicit suppliers to obtain the best quality goods and services at a fair and reasonable price. According to Postal Service policy, when contracts are awarded without competition, a noncompetitive purchase request must justify the reason not to compete. The competition advocate, responsible for challenging barriers to competition, must review such requests valued at \$1 million or more. Postal Service contracting officials made 1,682 noncompetitive purchases valued at \$1.3 billion during fiscal years 2011 and 2012.

Price and cost analyses are key factors in achieving fair and reasonable prices. Price analysis is evaluating a proposed price without evaluating its separate cost components, while cost analysis is an assessment of the direct and indirect costs leading to the final price. Our objectives were to determine whether Postal Service contracting officials conducted a sufficient price or cost analysis to support the reasonableness of noncompetitive contract prices and to assess the associated noncompetitive justifications.

### **WHAT THE OIG FOUND:**

Contracting officials did not provide documentation to support price or cost reasonableness and justifications to award noncompetitive purchases for

21 of 56 purchases (or 38 percent of purchases) valued at \$37,064,806. Employees did not maintain sufficient documentation to support price and cost analyses, were unaware of policy, did not explore all alternatives practicable in their justifications not to compete purchases, and did not always obtain required contract documents from international suppliers due to cultural and language barriers. Further, instructions on emergency noncompetitive contracts did not include clear guidelines for contract documentation requirements. If contracting officials do not conduct price or cost analyses and adequately assess noncompetitive justifications, there is an increased risk that the Postal Service will not obtain fair and reasonable prices when purchasing products and services. We statistically projected at least \$210 million in unsupported questioned costs.

### **WHAT THE OIG RECOMMENDED:**

We recommended that management instruct employees to include required documentation in contract files, reiterate contracting policy, promote increased competition, clarify guidance on emergency noncompetitive contracts, and explore opportunities to reduce cultural and language barriers with international suppliers.